



Naledi Local Municipality
Annual Financial Statements
for the year ended 30 June 2017
Auditor General of South Africa
Registered Auditors
Published 31 August 2017

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity

Local Municipality
NW392

Members of the Council

Councillors

Cllr. S.T. Modise (1 July 2016 to 8 August 2016) - Mayor
Cllr. N.G. Mathiba (1 July 2016 to 8 August 2016) - Speaker
Cllr. C.J. Groep (1 July 2016 to 8 August 2016) - Member of the Executive Committee
Cllr. E.K. Moroka (1 July 2016 to 8 August 2016) - Member of the Executive Committee
Cllr. H.L. Pretorius (1 July 2016 to 8 August 2016) - Member of the Executive Committee
Cllr. D.P. Matobo (1 July 2016 to 8 August 2016) - Chairperson of Municipal Public Accounts Committee
Cllr. J.A. Adonis (1 July 2016 to 8 August 2016) - Member
Cllr. P.K. Moloi (1 July 2016 to 8 August 2016) - Member
Cllr. A.N. Bareng (1 July 2016 to 8 August 2016) - Member
Cllr. G.A. Coetzee (1 July 2016 to 8 August 2016) - Member
Cllr. D.T. Mogale (1 July 2016 to 8 August 2016) - Member
Cllr. S.B. Kgodumo (1 July 2016 to 8 August 2016) - Member
Cllr. A. Lekgetho (1 July 2016 to 8 August 2016) - Member
Cllr. M.J. Nchochoba (1 July 2016 to 8 August 2016) - Member
Cllr. E.G. Ramorogadi (1 July 2016 to 8 August 2016) - Member
Cllr. E.P. Renoster (1 July 2016 to 8 August 2016) - Member
Cllr. N.R. Thekiso (1 July 2016 to 8 August 2016) - Member
Cllr. K.K. Kgajane (1 July 2016 to 8 August 2016) - Member
Cllr. N.W. Skalk (9 August 2016 - 30 June 2017) - Mayor
Cllr. H.L. Pretorius (9 August 2016 - 30 June 2017) - Member of the Executive Committee
Cllr. C.J. Groep (9 August 2016 - 30 June 2017) - Member of the Executive Committee
Cllr. J.A. Adonis (9 August 2016 - 30 June 2017) - Member
Cllr. A.N. Bareng (9 August 2016 - 30 June 2017) - Member
Cllr. E.P. Renoster (9 August 2016 - 30 June 2017) - Member
Cllr. O.R. Modise (9 August 2016 - 30 June 2017) - Member
Cllr. K.L. Bosantsi (9 August 2016 - 30 June 2017) - Member of the Executive Council
Cllr. L. Ekkelton (9 August 2016 - 30 June 2017) - Member
Cllr. H.L. Philander (9 August 2016 - 30 June 2017) - Chairperson of Municipal Public Accounts Committee
Cllr. K.L. Bome (9 August 2016 - 30 June 2017) - Member
Cllr. O.K. Nyamane (9 August 2016 - 30 June 2017) - Member
Cllr. K.B. Tauwe (9 August 2016 - 30 June 2017) - Member
Cllr. B.J. Moholo (9 August 2016 - 30 June 2017) - Member
Cllr. M.E. Ncobo (9 August 2016 - 30 June 2017) - Member
Cllr. S.M. Mustafa (9 August 2016 - 30 June 2017) - Member
Cllr. J.G. Brand (9 August 2016 - 30 June 2017) - Member
Cllr. G.C. Pulane (9 August 2016 - 30 June 2017) - Member
Cllr. M.E. Lebona (9 August 2016 - 30 June 2017) - Member

Grading of local authority

NW392

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

General Information

Accounting Officer	Mr TM Bloom
Chief Finance Officer (CFO)	Ms Morufa Moloto (Acting - Seconded by Treasury)
Registered office	Civic Centre 19A Market Street Vryburg 8601
Business address	Civic Centre 19A Market Street Vryburg 8601
Postal address	P.O. Box 35 Vryburg 8600
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	11 - 26
Notes to the Annual Financial Statements	27 - 74

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:



JM Bloom
Accounting Officer

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	5	2 899 951	2 995 310
Receivables from non-exchange transactions	6	10 393 205	10 012 322
VAT receivable	7	32 670 327	24 673 984
Consumer debtors	8	18 592 982	19 930 765
Cash and cash equivalents	9	18 628 259	18 582 745
		83 184 724	76 195 126
Non-Current Assets			
Property, plant and equipment	3	775 333 853	764 305 144
Heritage assets	4	709 286	719 286
		776 043 139	765 024 430
Total Assets		859 227 863	841 219 556
Liabilities			
Current Liabilities			
Other financial liabilities	12	12 058 547	4 509 572
Finance lease obligation	10	-	447 875
Payables from exchange transactions	15	437 892 808	387 416 235
Consumer deposits	16	6 490 924	6 672 149
Unspent conditional grants and receipts	11	26 571 287	18 573 974
Provisions	13	8 379 440	9 521 243
		491 393 006	427 141 048
Non-Current Liabilities			
Other financial liabilities	12	12 913 730	24 648 732
Provisions	13	67 235 892	92 974 681
		80 149 622	117 623 413
Total Liabilities		571 542 628	544 764 461
Net Assets		287 685 235	296 455 095
Reserves			
Revaluation reserve		2 470 085	2 164 229
Accumulated surplus		285 215 150	294 290 866
Total Net Assets		287 685 235	296 455 095

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	18	148 583 189	158 682 548
Rental of facilities and equipment	19	1 003 611	806 567
Licences and permits		6 390 006	6 569 415
Other income	21	30 881 795	46 978 222
Interest received - investment	22	21 123 736	16 956 616
Total revenue from exchange transactions		207 982 337	229 993 368
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	76 825 604	36 775 732
Transfer revenue			
Government grants & subsidies	25	105 750 077	106 726 243
Fines		1 811 750	976 737
Total revenue from non-exchange transactions		184 387 431	144 478 712
Total revenue	17	392 369 768	374 472 080
Expenditure			
Employee related costs	26	(162 319 272)	(152 718 019)
Remuneration of councillors	27	(6 980 076)	(6 560 894)
Depreciation and amortisation	28	(35 892 345)	(36 566 731)
Impairment loss/ Reversal of impairments	29	(33 595 819)	(42 065 003)
Finance costs	30	(39 597 326)	(33 511 854)
Collection costs		-	(278 262)
Repairs and maintenance	48	(2 510 401)	(6 198 558)
Bulk purchases	31	(76 304 580)	(88 464 468)
Contracted services	32	(25 876 025)	(23 367 935)
Transfers and Subsidies	24	(144 093)	(1 997 788)
General Expenses	33	(26 276 661)	(24 378 038)
Total expenditure		(409 496 598)	(416 107 550)
Operating deficit		(17 126 830)	(41 635 470)
Loss on disposal of PPE		(2 276 139)	(1 572 943)
Actuarial gains/losses		10 090 685	(220 137)
Gain on natural movement of game / animals		(684 383)	185 500
Unwinding of discounting		(12 673)	(125 839)
		7 117 490	(1 733 419)
Deficit for the year		(10 009 340)	(43 368 889)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	1 697 413	336 571 162	338 268 575
Changes in net assets			
Revaluation of PPE	1 555 409	-	1 555 409
Offsetting of depreciation	(1 088 593)	-	(1 088 593)
Realisation of revaluation reserve	-	1 088 593	1 088 593
Net income (losses) recognised directly in net assets	466 816	1 088 593	1 555 409
Surplus for the year	-	(43 368 889)	(43 368 889)
Total recognised income and expenses for the year	466 816	(42 280 296)	(41 813 480)
Total changes	466 816	(42 280 296)	(41 813 480)
Balance at 01 July 2016	2 164 229	294 290 862	296 455 091
Changes in net assets			
Revaluation of game animals	1 239 484	-	1 239 484
Offsetting of depreciation	(933 628)	-	(933 628)
Realisation of revaluation reserve	-	933 628	933 628
Net income (losses) recognised directly in net assets	305 856	933 628	1 239 484
Surplus for the year	-	(10 009 340)	(10 009 340)
Total recognised income and expenses for the year	305 856	(9 075 712)	(8 769 856)
Total changes	305 856	(9 075 712)	(8 769 856)
Balance at 30 June 2017	2 470 085	285 215 150	287 685 235
Note(s)			

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Taxation		67 260 355	26 928 896
Sale of goods and services		157 600 338	182 944 725
Grants		113 747 390	124 073 635
Interest income		21 123 736	16 956 616
		359 731 819	350 903 872
Payments			
Employee costs		(169 299 348)	(159 278 913)
Suppliers		(97 523 634)	(74 766 851)
Finance costs		(39 577 504)	(33 330 471)
		(306 400 486)	(267 376 235)
Net cash flows from operating activities	35	53 331 333	83 527 637
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(49 684 430)	(63 015 934)
Proceeds from sale of property, plant and equipment	3	(9 999)	503 725
Proceeds from sale of heritage assets	4	10 000	-
Proceeds from sale of biological assets that form part of an agricultural activity		(684 383)	-
Movement in Landfill Site Asset		1 736 718	(544 174)
Net cash flows from investing activities		(48 632 094)	(63 056 383)
Cash flows from financing activities			
Repayment of other financial liabilities		(4 186 027)	(1 490 428)
Finance lease payments		(467 697)	(1 682 983)
Net cash flows from financing activities		(4 653 724)	(3 173 411)
Net increase/(decrease) in cash and cash equivalents		45 515	17 297 843
Cash and cash equivalents at the beginning of the year		18 582 745	1 284 900
Cash and cash equivalents at the end of the year	9	18 628 260	18 582 743

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	207 458 000	-	207 458 000	148 583 189	(58 874 811)	A
Rental of facilities and equipment	944 000	-	944 000	1 003 611	59 611	I
Licences and permits	5 978 000	-	5 978 000	6 390 006	412 006	B
Other income - (rollup)	3 942 000	-	3 942 000	30 881 795	26 939 795	I
Interest received - investment	16 508 000	-	16 508 000	21 123 736	4 615 736	D
Total revenue from exchange transactions	234 830 000	-	234 830 000	207 982 337	(26 847 663)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	45 195 000	-	45 195 000	76 825 604	31 630 604	E
----------------	------------	---	------------	------------	------------	---

Transfer revenue

Government grants & subsidies	67 240 000	920 000	68 160 000	105 750 077	37 590 077	F
Fines, Penalties and Forfeits	933 000	-	933 000	1 811 750	878 750	B

Total revenue from non-exchange transactions	113 368 000	920 000	114 288 000	184 387 431	70 099 431	
Total revenue	348 198 000	920 000	349 118 000	392 369 768	43 251 768	

Expenditure

Personnel	(160 409 000)	-	(160 409 000)	(162 319 272)	(1 910 272)	G
Remuneration of councillors	(7 202 000)	-	(7 202 000)	(6 980 076)	221 924	G
Depreciation and amortisation	(49 370 000)	-	(49 370 000)	(35 892 345)	13 477 655	G
Impairment loss/ Reversal of impairments	(20 650 000)	-	(20 650 000)	(33 595 819)	(12 945 819)	C
Finance costs	(2 000)	(36 350 000)	(36 352 000)	(39 597 326)	(3 245 326)	H
Repairs and maintenance	-	-	-	(2 510 401)	(2 510 401)	B
Bulk purchases	(95 053 000)	-	(95 053 000)	(76 304 580)	18 748 420	I
Contracted Services	(16 619 000)	-	(16 619 000)	(25 876 025)	(9 257 025)	I
Transfers and Subsidies	(1 107 000)	-	(1 107 000)	(144 093)	962 907	G
General Expenses	(21 752 000)	(600 000)	(22 352 000)	(26 276 661)	(3 924 661)	I
Other materials	(31 934 000)	-	(31 934 000)	-	31 934 000	I
Total expenditure	(404 098 000)	(36 950 000)	(441 048 000)	(409 496 598)	31 551 402	

Operating deficit	(55 900 000)	(36 030 000)	(91 930 000)	(17 126 830)	74 803 170	
Loss on disposal of assets and liabilities	-	-	-	(2 276 139)	(2 276 139)	
Actuarial gains/losses	-	-	-	10 090 685	10 090 685	I
Loss on biological assets and agricultural produce	-	-	-	(684 383)	(684 383)	
Gain on disposal of PPE	10 000 000	-	10 000 000	-	(10 000 000)	
	10 000 000	-	10 000 000	7 130 163	(2 869 837)	
Surplus	(45 900 000)	(36 030 000)	(81 930 000)	(9 996 667)	71 933 333	

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(45 900 000)	(36 030 000)	(81 930 000)	(9 996 667)	71 933 333	

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided as part of these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land (excluding landfill sites) is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure - Roads and Lights	Straight line	10-40
Infrastructure - Water Pipelines	Straight line	25-50
Infrastructure - Water Pumps, Purification and Reservoirs	Straight line	30-55
Infrastructure - Sewerage	Straight line	25-30
Infrastructure - Land	Straight line	Indefinite
Infrastructure - Landfill Site Perimeter Protection and structures	Straight line	10-55
Community - Buildings	Straight line	30
Community - Recreational Facilities	Straight line	30
Community - Cemeteries	Straight line	30
Community - Halls	Straight line	30
Community - Libraries	Straight line	30
Community - Civic Buildings	Straight line	30
Community - Other assets	Straight line	15-30
Other - Buildings	Straight line	30
Other - Office equipment	Straight line	7
Other - Furniture and fittings	Straight line	7
Other - Emergency equipment	Straight line	10

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Other - Computer equipment	Straight line	5
Other - Machinery and Equipment	Straight line	5-10
Other - Official Vehicles	Straight line	7
Other - Other assets	Straight line	4-15
Other - Game / Animals	Straight line	4-21

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Game / Animals

Game animals are held in the nature reserve and are due to their inherent nature disclosed at fair value utilising the revaluation model and accounted for as a separate class of asset. An annual count, assessment of the remaining useful life and valuation based on market values are performed.

Subsequent to recognition, Game / Animals are measured using the revaluation amount less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. The revaluation amount is the fair value at the date of the revaluation.

Accumulated depreciation is accounted for using the elimination method. Any difference between the carrying amounts and the revaluation amounts is recognised in the revaluation surplus. In the case of a reversal of an increase in excess of the increase previously recognised in the revaluation surplus, or a reversal of a decrease previously recognised in surplus or deficit, it will be recognised in surplus or deficit.

The revaluation surplus relating to the assets will be realised over time by transferring the surplus to accumulated surplus or deficit by way of the use of the asset.

For depreciation rates on Game / animals, refer to the table as per accounting policy above.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

The cost model has been chosen for intangible assets.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Heritage assets

Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

Depreciation and impairment

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Financial instruments

Initial recognition

Financial instruments are initially recognized at fair value.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Tax

Value added Taxation (VAT)

The municipality accounts for value added taxation on the accrual basis.

1.10 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.11 Inventories

Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Impairment losses

Identification of cash-generating assets from non-cash-generating assets

Primary objective of holding an asset is to generate a commercial return. Assets will generate a commercial return when the entity intends to generate positive cash flows from the asset similar to a profit-orientated entity and therefore the cash flows (or return) generated should reflect the risk involved in holding the asset. In other words, in addition to the mere intention to hold assets to generate cash flows the intention should also be to generate market related cash flows from that asset. To the extent that the cash flows are not market related, those cash flows are not representative of the risk involved in holding the asset, therefore the asset will be non-cash-generating. An asset can be non-cash-generating, even if it generated a commercial return during a particular period.

Non-cash generating assets are managed for service delivery purposes (no commercial return). In some situations, it may not be clear what the main objective of holding an asset is (i.e. whether it is to generate a commercial return or not). In these circumstances, it may be necessary to evaluate the significance of the cash flow generated from such an asset.

Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating the future cash inflows used to determine the asset's or cash-generating unit's value in use; and the

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Impairment losses (continued)

future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing. Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined. An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets. In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of: its fair value less costs to sell (if determinable); its value in use (if determinable); and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset. An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of: its recoverable amount (if determinable); and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential. The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Impairment losses (continued)

cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset. An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Defined contribution plans

The municipality provides retirement benefits for its employees and councillors. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.15 Commitments

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-end.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when received.

Fines

Revenue from fines are recognized at the initial transaction date taking into account the full amount of fines. Impairment is based on the probability of collections.

1.18 Expenditure

Expenditure is recognised once there is a decrease in in economic benefits or service potential during the financial period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.20 Impairments of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.24 Revaluation reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17. All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.25 Segment information

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance. A segment is an activity of an entity:

that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Non-current assets held for sale

Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
2. New standards and interpretations		
2.1 Standards and interpretations issued, but not yet effective		
The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2018	Full disclosure of the nature and effect all related party transactions of management, their close members of family
GRAP 32 - Service Concession Arrangement: Grantor	01 April 2018	Disclosure and presentation of each transaction relating to service concession arrangements.
GRAP 108 - Statutory Receivables	01 April 2018	Full disclosure and presentation of each class of statutory receivable as prescribe by legislation.
GRAP 109 - Accounting by Principals and Agents	01 April 2018	Full disclosure and presentation of each transaction that relates to a principal and agent agreements, provided for on be halve of the principal of acting as the agent.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

2017

2016

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	146 850 170	(12 781 964)	134 068 206	147 902 506	(12 038 678)	135 863 828
Buildings	71 183 951	(26 152 039)	45 031 912	53 668 615	(23 201 610)	30 467 005
Infrastructure	690 751 321	(159 659 224)	531 092 097	665 881 912	(137 803 315)	528 078 597
Community	72 448 213	(30 508 101)	41 940 112	71 836 300	(26 526 869)	45 309 431
Other property, plant and equipment	44 885 269	(26 179 486)	18 705 783	41 360 323	(21 783 990)	19 576 333
Game / animals	5 565 050	(1 069 307)	4 495 743	6 109 908	(1 099 958)	5 009 950
Total	1 031 683 974	(256 350 121)	775 333 853	986 759 564	(222 454 420)	764 305 144

Naledi Local Municipality

(Registration number NW392 - (Grade 3))
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	WIP Additions	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	135 863 828	-	(321)	-	-	(1 052 335)	-	(742 966)	134 068 206
Buildings	30 467 005	5 968 936	-	11 546 400	-	-	(2 950 429)	-	45 031 912
Infrastructure	528 078 597	8 754 125	(2 262 910)	19 269 464	-	-	(22 747 179)	-	531 092 097
Community	45 309 431	-	-	611 914	-	-	(3 981 233)	-	41 940 112
Other property, plant and equipment	19 576 333	3 533 591	(2 909)	-	-	-	(4 401 232)	-	18 705 783
Game / animals	5 009 950	-	-	-	1 239 483	(684 383)	(1 069 307)	-	4 495 743
	764 305 144	18 256 652	(2 266 140)	31 427 778	1 239 483	(1 736 718)	(35 149 380)	(742 966)	775 333 853

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	WIP additions	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	128 054 491	8 244 379	(140 022)	-	-	544 174	-	(839 194)	135 863 828
Buildings	28 838 350	-	-	5 011 218	-	-	(3 382 563)	-	30 467 005
Infrastructure	503 587 677	281 375	(1 363 844)	47 520 367	-	-	(21 946 978)	-	528 078 597
Community	49 928 152	115 769	-	-	-	-	(4 113 892)	(620 598)	45 309 431
Other property, plant and equipment	23 671 949	1 842 826	(360 302)	-	-	-	(5 578 140)	-	19 576 333
Game / animals	4 581 500	-	(212 500)	-	1 555 408	185 500	(1 099 958)	-	5 009 950
	738 662 119	10 484 349	(2 076 668)	52 531 585	1 555 408	729 674	(36 121 531)	(1 459 792)	764 305 144

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

3. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure - Roads and Lights	Straight line	10-40
Infrastructure - Water Pipelines	Straight line	25-50
Infrastructure - Water Pumps, Purification and Reservoirs	Straight line	30-55
Infrastructure - Sewerage	Straight line	25-30
Infrastructure - Land	Straight line	Indefinite
Infrastructure - Landfill Site Perimeter Protection and structures	Straight line	10-55
Community - Buildings	Straight line	30
Community - Recreational Facilities	Straight line	30
Community - Cemeteries	Straight line	30
Community - Halls	Straight line	30
Community - Libraries	Straight line	30
Community - Civic Buildings	Straight line	30
Community - Other assets	Straight line	15-30
Other - Buildings	Straight line	30
Other - Office equipment	Straight line	7
Other - Furniture and fittings	Straight line	7
Other - Emergency equipment	Straight line	10
Other - Computer equipment	Straight line	5
Other - Machinery and Equipment	Straight line	10-15
Other - Official Vehicles	Straight line	7
Other - Other assets	Straight line	4-15
Other - Game / Animals	Straight line	4-16

Assessed residual value

In terms of GRAP 17 management assessed the residual value and useful life of all property, plant and equipment. For the period under review the residual values of all property, plant and equipment (except for official vehicles and machinery and equipment) were assessed at zero, as the economic life of these assets are greater than the useful life.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Methods and assumptions used in determining the fair value

Game / animals

The fair value assessment was determined by SA Auctioneers, an independent expert / valuer on the market values of game, taking into account the relevant market values of the respective breeding / family groups. The effective date of the valuation was 30 June 2016. SA Auctioneers are independent and are not connected to the municipality or any of its councillors or officials.

Game / animals are re-valued independently every year.

Land and buildings

Land and buildings were revalued to fair value by using market values. Market values were determined utilising recent market transactions on arm's length terms.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

4. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	709 286	-	709 286	719 286	-	719 286

Reconciliation of heritage assets 2017

	Opening balance	Disposals	Total
Conservation areas	719 286	(10 000)	709 286

Reconciliation of heritage assets 2016

	Opening balance	Total
Conservation areas	719 286	719 286

5. Inventories

Maintenance materials	2 460 830	2 589 013
Water	76 017	100 390
Consumables stores	363 104	305 907
	2 899 951	2 995 310

Inventory valuation

The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventory is measured at the lower of cost and net realisable value.

6. Receivables from non-exchange transactions

Other debtors	12 497 027	11 260 389
Prepayments	134 093	134 093
Less: Provision for doubtful debts	(2 237 915)	(1 382 160)
	10 393 205	10 012 322

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	1 382 160	1 967 207
Other	855 755	(585 047)
	2 237 915	1 382 160

7. VAT receivable

VAT	32 670 327	24 673 984
-----	------------	------------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. Consumer debtors		
Gross balances		
Rates (Non - Exchange Transactions)	56 545 001	48 995 698
Electricity	52 849 327	56 574 155
Water	94 523 860	82 849 239
Sewerage and sanitation	38 667 967	31 527 183
Refuse	42 215 859	35 004 499
Other charges	11 191 011	9 713 874
	295 993 025	264 664 648
Less: Allowance for impairment		
Rates (Non - Exchange Transactions)	(50 674 300)	(44 016 183)
Electricity	(45 861 795)	(46 504 421)
Water	(92 497 637)	(81 187 580)
Sewerage and sanitation	(36 738 196)	(29 928 920)
Refuse	(40 558 633)	(33 474 833)
Other charges	(11 069 482)	(9 621 946)
	(277 400 043)	(244 733 883)
Net balance		
Rates (Non - Exchange Transactions)	5 870 701	4 979 515
Electricity	6 987 532	10 069 734
Water	2 026 223	1 661 659
Sewerage and sanitation	1 929 771	1 598 263
Refuse	1 657 226	1 529 665
Other charges	121 529	91 929
	18 592 982	19 930 765
Included in above is receivables from exchange transactions		
Electricity	52 849 327	56 574 155
Water	94 523 860	82 849 239
Sewerage and sanitation	38 667 967	31 527 183
Refuse	42 215 859	35 004 499
Other charges	11 191 011	9 713 874
Less: Allowance for impairment	(226 725 743)	(200 717 700)
	12 722 281	14 951 250
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	56 545 001	48 995 698
Less: Allowance for impairment	(50 674 300)	(44 016 183)
	5 870 701	4 979 515
Net balance	18 592 982	19 930 765
Rates (Non - Exchange Transactions)		
Current (0 -30 days)	3 066 289	2 765 671
31 - 60 days	2 096 714	1 820 081
61 - 90 days	1 997 145	1 763 325
+91 days	49 384 853	42 646 621
	56 545 001	48 995 698

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	3 984 663	4 905 679
31 - 60 days	1 748 056	2 908 166
61 - 90 days	1 291 677	1 899 223
+91 days	45 824 931	46 861 087
	52 849 327	56 574 155
Water		
Current (0 -30 days)	3 042 175	1 019 161
31 - 60 days	1 072 912	698 886
61 - 90 days	742 812	771 918
+91 days	89 665 961	80 359 274
	94 523 860	82 849 239
Sewerage and sanitation		
Current (0 -30 days)	1 421 890	1 249 311
31 - 60 days	980 702	874 755
61 - 90 days	844 637	774 972
+91 days	35 420 738	28 628 145
	38 667 967	31 527 183
Refuse		
Current (0 -30 days)	1 264 046	1 108 966
31 - 60 days	829 828	724 488
61 - 90 days	746 905	652 207
+91 days	39 375 080	32 518 838
	42 215 859	35 004 499
Other charges		
Current (0 -30 days)	110 092	74 336
31 - 60 days	73 950	67 497
61 - 90 days	62 338	63 109
+91 days	10 944 631	9 508 932
	11 191 011	9 713 874

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	10 777 953	9 481 134
31 - 60 days	4 877 618	5 667 227
61 - 90 days	3 214 522	3 337 433
+91 days	260 807 921	228 663 532
	279 678 014	247 149 326
Less: Allowance for impairment	(266 851 270)	(231 982 542)
	12 826 744	15 166 784
Government departments		
Current (0 -30 days)	2 111 201	1 641 993
31 - 60 days	1 924 544	1 426 646
61 - 90 days	2 470 992	2 587 321
+91 days	9 808 274	11 859 364
	16 315 011	17 515 324
Less: Allowance for impairment	(10 548 773)	(12 751 341)
	5 766 238	4 763 983
Total		
Current (0 -30 days)	12 889 155	11 123 124
31 - 60 days	6 802 162	7 093 873
61 - 90 days	5 685 514	5 924 754
+91 days	270 616 194	240 522 897
	295 993 025	264 664 648
Less: Allowance for impairment	(277 400 043)	(244 733 883)
	18 592 982	19 930 765
Less: Allowance for impairment		
Current (0 -30 days)	(6 745 962)	(5 299 502)
31 - 60 days	(4 213 147)	(4 786 467)
61 - 90 days	(3 698 719)	(4 109 964)
+91 days	(262 742 215)	(230 537 950)
	(277 400 043)	(244 733 883)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(244 733 883)	(211 245 308)
Contributions to allowance	(37 013 422)	(43 712 388)
Debt impairment written off against allowance	4 347 262	10 223 813
	(277 400 043)	(244 733 883)
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7 165	13 813
Bank balances	8 964 037	2 062 693
Call deposits	9 657 057	16 506 239
	18 628 259	18 582 745

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

2017

2016

9. Cash and cash equivalents (continued)

On 1 March 2013, the municipality changed its Primary bank account from ABSA account no 4070282707 to FNB account no 54160030382.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB - (Primary bank account)	8 838 986	1 847 782	944 121	8 838 986	1 847 782	944 121
Current account - 54160030382						
ABSA - Current account - 4070282707	125 050	214 911	259 152	125 050	214 911	259 152
FNB - (General) Fixed deposit - 70416038010	8 000	8 000	8 041	8 000	8 000	8 041
FNB - (General) Fixed deposit - 70416052060	7 900	7 900	7 900	7 900	7 900	7 900
FNB - (FMG) Call account - 62401119856	5 536	5 289	1 032	5 536	5 289	1 032
FNB - (MIG) Call account - 62401121364	9 615 952	16 381 593	9 433	9 615 952	16 381 593	9 433
FNB - (EPWP) Call account - 62401123344	1 808	1 704	1 016	1 808	1 704	1 016
FNB - (Library funds) Call account - 62401123625	1 944	1 832	1 012	1 944	1 832	1 012
CALL ACCOUNT - FNB - 624 0112 2255 - MSIG	1 061	6 558	1 039	1 061	6 558	1 039
CALL ACCOUNT - FNB - 624 0112 2908 - INEP	1 139	1 898	1 019	1 139	1 898	1 019
FNB - (Equitable Share) Call account - 62401123964	3 281	1 174	1 089	3 281	1 174	1 089
FNB - (LGSETA) Call account - 62401124235	2 167	1 068	1 014	2 167	1 068	1 014
FNB - (New Landfill Site) Call account - 62401124805	2 168	1 069	1 015	2 168	1 069	1 015
FNB - (PPE) Call account - 62401125142	2 177	1 077	1 023	2 177	1 077	1 023
FNB - (District Grant) Call account - 62421435951	1 024	1 076	1 021	1 024	1 076	1 021
FNB - (Smart Meter Project) Call account - 62420925549	1 811	81 713	1 810	1 811	81 713	1 810
FNB - (Prodiba) Call account - 62435389342	1 089	4 287	4 067	1 089	4 287	4 067
Total	18 621 093	18 568 931	1 244 804	18 621 093	18 568 931	1 244 804

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
10. Finance lease obligation		
Minimum lease payments due		
- within one year	-	467 696
- in second to fifth year inclusive	-	-
	-	467 696
Less: future finance charges	-	(19 822)
Present value of minimum lease payments	-	447 874
Present value of minimum lease payments due		
- within one year	-	447 875
- in second to fifth year inclusive	-	-
	-	447 875

The liability is secured by the leased assets. Carrying value of leased photocopiers - 1 531 039

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2016: 10%). Payments are made in arrears.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent lease payments. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. There were no defaults or breaches and no terms and conditions were re-negotiated during the reporting period. The municipality does not have the intention to buy the assets after the lease period. The lease agreements do not impose restrictions upon the municipality.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	25 000 027	18 573 974
Finance Management Grant (FMG)	-	-
Municipal Systems Improvement Grant (MSIG)	-	-
INEP Grant	-	-
Expanded Public Works Programme Grant (EPWP)	-	-
Department of Sports, Arts and Culture Grant (DSAC)	214 653	-
Fire Grant	-	-
Dr Ruth S Mompoti District Municipality Grant	-	-
LG Seta Grant	1 356 607	-
Department of Energy Grant (SANEDI)	-	-
	26 571 287	18 573 974

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from Provincial Government.

Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016				
12. Other financial liabilities						
At amortised cost						
DBSA loans	24 972 277	29 158 304				
Non-current liabilities						
DBSA loans at amortised cost	12 913 730	24 648 732				
Current liabilities						
DBSA loans at amortised cost	12 058 547	4 509 572				
Financial liabilities at amortised cost						
Defaults and breaches						
Bank loans payable						
Details of defaults during the period						
DBSA loan	8 135 002	8 138 049				
The loan carries compounded interest at 9% per annum and is redeemable at 31 July 2017.						
DBSA loan	16 837 276	21 020 255				
The loan carries compounded interest at 9% per annum and is redeemable at 30 January 2022.						
Carrying amount of loans payable in default at end of reporting period	24 972 278	29 158 304				
13. Provisions						
Reconciliation of provisions - 2017						
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	11 960 849	(1 052 334)	-	-	12 674	10 921 189
Legal proceedings	24 807 242	-	-	(24 000 000)	-	807 242
Long-service awards	10 658 607	2 030 165	(1 511 575)	-	(325 365)	10 851 832
Continued medical aid	55 069 226	8 748 108	(1 016 945)	-	(9 765 320)	53 035 069
	102 495 924	9 725 939	(2 528 520)	(24 000 000)	(10 078 011)	75 615 332
Reconciliation of provisions - 2016						
	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total	
Rehabilitation of landfill sites	11 290 837	544 174	-	125 838	11 960 849	
Legal proceedings	24 807 242	-	-	-	24 807 242	
Long-service awards	8 988 300	1 742 403	(1 065 775)	993 679	10 658 607	
Continued medical aid	49 533 772	7 363 163	(1 054 167)	(773 542)	55 069 226	
	94 620 151	9 649 740	(2 119 942)	345 975	102 495 924	
Non-current liabilities					67 235 892	92 974 681
Current liabilities					8 379 440	9 521 243
					75 615 332	102 495 924

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

Additional disclosure required:

Long service awards: In 2014 the opening balance of Long service awards were R7 281 917, contributions to provisions amounted to R1 376 105, the increase due to the actuarial valuation was R65 419 and expenditure amounted to R780 907, resulting in a closing balance of R7 942 534.

Long service awards: In 2015 the opening balance of Long service awards were R7 942 534, contributions to provisions amounted to R1 571 127, the increase due to the actuarial valuation was R395 868 and expenditure amounted to R921 229, resulting in a closing balance of R8 988 300.

Continued medical aid: In 2014 the opening balance of Continued medical aid were R33 850 805, contributions to provisions amounted to R4 938 737, the decrease due to the actuarial valuation was R438 290 and expenditure amounted to R962 981, resulting in a closing balance of R37 388 271.

Continued medical aid: In 2015 the opening balance of Continued medical aid were R37 388 271, contributions to provisions amounted to R5 766 976, the increase due to the actuarial valuation was R7 350 713 and expenditure amounted to R972 188, resulting in a closing balance of R49 533 772.

Environmental rehabilitation provision

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- 1) Environmental impact process for establishment of solid waste disposal site
- 2) Supply and operation of machinery to transfer refuse
- 3) Sloping and spreading of slopes and ground work, including manual hand labour

The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. An average inflation rate of 5.90% as per MFMA Circular 81 and a discount rate of 8.57 % / 9.39 % as per the R186 / R 213 Government Bond rate was used to calculate the obligation at year-end.

The provision made for the rehabilitation is not backed by any assets.

The landfill sites in the area are known as the Vryburg old, Vryburg New and Stella landfill sites. The two Vryburg landfill sites have approvals or licenses in terms of the NWA, ECA, NEM:WA but the Stella site is unlicensed. Due to uncontrolled waste management practices the District Municipality and the Environmental Affairs has requested that the site be closed and rehabilitated once a new waste management plan has been devised for waste management practices in the area. Disposal at the sites has never been formally controlled thus waste has been heaped in a haphazard fashion, burnt and spread across the entire sites. There is no infrastructure on the Old Vryburg and Stella landfill sites except the disposal areas (dump) on ground. The new Vryburg landfill site has been developed with all the necessary new infrastructure.

The two Vryburg landfill sites are licensed as a General Small non leachate producing landfill sites denoted as a GSB - class. In terms of the new Gazetted regulations depict the lining of the site as a Class B. However, the capping has not been updated thus the capping will be a GSB - in terms of the Minimum Requirements (MR) 1998. The Stella landfill site is licensed as a General Communal non leachate producing landfill sites denoted as a GCB - class. In terms of the new Gazetted regulations depict the lining of the site as a Class B. However, the capping has been updated in the license thus the capping will include a 450mm clay layer which is similar to the GMB+ (excluding the LFG collection layer) in terms of the Minimum Requirements (MR) 1998.

A GSB- and a GCB - landfill site, in terms of the Minimum Requirements (MR 1998, Page A8-15) for waste disposal by landfill, will required the following for rehabilitation:

1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;
2. The waste layer must be capped with a layer of topsoil a minimum of 200mm thick;
3. The top-soiled area must be grassed to minimize the effects of erosion either by wind or water;
4. All storm water on and off the site must be controlled to avoid erosion of the capping layers:

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

5. Access to the site must be controlled by means of a fence and monitored gate.

However, the approval of a site for closure may require a further layer to be installed above the waste and below the 200mm topsoil, as per the Stella landfill license. This layer will comprise of a natural clay which may not be available in the area, however, a synthetic clay layer may be used. The synthetic clay is known as a Geosynthetic Clay Liner (GCL) and will require a further confining layer of 450mm of inert soil materials placed on top of the GCL.

The rates used to determine the construction amount (cost) are based on current or recent contracts undertaken in similar circumstances in the local area.

The total cost to repair the landfill sites is estimated at R9 104 570.

Vryburg New Landfill - the remaining life of the site is estimated as approx. 62,42 years

Stella Landfill - the remaining life of the site is estimated as approx. 35,36 years

Legal proceedings provisions

2017

No additional proceedings noted for the current year.

2016

Telkom SA Ltd

The municipality damaged Telkom cables for which Telkom has issued a summons on 2 November 2010. The claim relates to the period prior to 30 June 2011. Telkom has sent the municipality a settlement agreement in the 2013/14 financial year. The matter is expected to be settled before 30 June 2017. Amount was determined to be R31 619.

Fynbosland 435 cc

The municipality allegedly did not pay outstanding claims on the housing project for which Fynbosland 435 cc has issued a notice of motion on 25 September 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R24 000 000.

WF van der Ryst

The municipality allegedly damaged the plaintiff's cables for which WF van der Ryst has issued a summons on 12 November 2010. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R60 000.

Mrs BS Nsedame

The municipality allegedly falsely accused the plaintiff for which Mrs BS Nsedame has issued a summons on 13 August 2009. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R100 000.

Cape Joint Pension Fund

The municipality allegedly failed to pay funds over to the pension fund for which Cape Joint Pension Fund has issued a summons on 27 June 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R615 623.

Long-service awards

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

Members information

The long service award is a defined benefit plan of which the following employees are eligible:

	2017	2016
In-service (employee) members (Total)	451	462

The liability in respect of past service has been estimated to be as follows:

	2017	2016
In-service (employee) members (Total)	R10 851 832	R10 658 607

Actuarial adjustments were calculated as follows

	2017	2016
Change in basis	R(692 359)	R 11 000
Experience	R 366 994	R982 678
Actuarial (Gain) / Loss	R(325 365)	R993 679

Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R 1 078 000 whereas the Interest Cost for the next year is estimated to be R 995 000.

Valuation Data

A summary of the membership data is as follows:

In-Service Members

	2017	2016
Number of Members	451	462
Average Age of Members (years)	44.8	44.4
Average Past Service (years)	11.9	11.6
Average Salary (R)	181 486	167 798

Benefit Structure

The Entity has a policy to provide long service awards to employees who have been in the service of the Entity for a certain period of time. The awards are as follows:

Completed Service (Years)	Persons employed prior to 28 March 2013 Award (% of Annual Salary)	Persons employed post to 28 March 2013 Award (% of Annual Salary)
6.9	4%	4%
12.15	6%	6%
18.21	7.5%	7.5%
24	10%	10%
27	10%	10%
30.33	12.5%	10%

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
13. Provisions (continued)		
36.39	15%	10%
45.45	17.5%	10%

The award is granted in the month that the completed milestone is reached.

Methodology

Consistent with the provisions of GRAP 25, the liability has been calculated as the accrued service liability. The accrued service liability is calculated by valuing all future leave and payments expected to be made in respect of benefits accrued up to the valuation date. Allowance has been made in these calculations for salary increases and investment returns up to the date that the benefit is received.

Key Actuarial Assumptions used

Interest Rate	2017	2016
Discount rate	8.75%	8.89%
General Inflation	5.52%	6.52%
Salary Inflation	6.52%	7.52%
Real Rate (GAP)	2.09%	1.27%

Discount rate Assumption

The discount rate required by GRAP25 should be set with reference to the market yield on government bonds. We have set the discount rate by using the best fit discount rate at 30 June 2017 based on the yields from the zero coupon SA Government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is around 8 years. The recommended discount rate is 8.75%. The source of the data is the Johannesburg Stock Exchange through Inet BFA data service.

Future Inflation Assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds, adjusting for inflation risk premium of 0.5% per annum. The implied inflation assumption is therefore 5.52% per annum for future inflation.

Future Salary Inflation

We assumed that salary inflation will exceed general inflation by 1.0% per annum, i.e. 6.52% p.a. In addition we have assumed that salaries will increase according to the following merit scale.

Age	Merit Increase
20-24	5%
25-29	4%
30-34	3%
35-39	2%
40-44	1%
45+	0%

The Entity does not have any specific assets set aside to prefund for this liability. We have therefore not included any asset value in this report.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 2.09% per annum. (Derived from a discount rate of 8.75% and the expected salary inflation rate of 6.52%)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

Demographic Valuation Assumptions

We have retained the demographic assumptions used in the prior year's valuation. These assumptions are as follows:

Mortality Rates

Pre retirement mortality is assumed to be in line with SA85-90 Light table rated down by 3 years for female employees. This is also the assumption used in last year's valuation.

Withdrawal rates

The table below used reflect the rates of withdrawal used to value the liabilities for both males and females.

Age	Withdrawal Rate
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55+	0%

Assumed Retirement age

The normal retirement age is 65 for employees. We have assumed retirement age of 63 for all employees which implicitly allows for some early retirement and is consistent with assumptions used for valuing other Entity liabilities. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the long-service awards will however depend on the actual experience.

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results (Values in R'000).

Discount rate	Current Assumption 8,75%	1% decrease in rate 7,75%	1% increase in rate 9,75%
Liability	10 852	11 661	10 133
Cost/ (saving)		809	(719)
Retirement Age	Current Assumption Retire at average age 63	Retire at average age 65	Retire at average age 61
Liability	10 852	12 329	9 577
Cost/ (saving)		1 477	(1 275)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

Continued medical aid

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

Members

	2017	2016
In-service (employee) members	242	239
Retired employees	29	31
Total Members	271	270

The liability in respect of past service has been estimated to be as follows:

	2017	2016
In-service (employee) members	R34 242 029	R34 461 102
In-service (employee) non members	6 728 521	6 913 964
Retired employees	12 064 518	13 694 160
Total Liability	R53 035 068	R55 069 226

Actuarial adjustments were calculated as follows

	2017	2016
Change in basis	R(6 371 083)	R200 800
Experience	(3 394 237)	(974 342)
Actuarial (Gain) / Loss	R(9 765 320)	R(773 542)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health
Samwumed

Monthly contribution rates for the schemes in which the Employer participates available on request.

Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R2 705 119 whereas the Interest Cost for the next year is estimated to be R5 195 264.

Sensitivity Analysis

The liabilities were determined using various assumptions. The actual liability to the Entity in the future will depend on the actual experience for each assumed item. The liabilities were recalculated to illustrate the impact of the above changes. For illustrative purposes we have also included the impact a change in mortality, retirement age and discount rate would have on the disclosures:

The following changes were made:

- a) A 1% increase/decrease in the discount rate assumption; and
- b) A 1 year increase/decrease in post retirement mortality.

a) Discount Rate	Current Assumption 9.66%	1% decrease 8.66%	1% increase 10.66%
Liability	R53 035 068	R63 244 534	R45 027 381
Cost/ (saving)		R10 209 466	R(8 007 687)
b) Post retirement Mortality	Current	Pa(90)-2 years	Pa(90)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

	Assumption Pa(90)-1 year		
Liability	R53 035 068	R54 945 518	R51 141 958
Cost/ (Saving)		1 910 450	(1 893 110)

The impact on the next year's projection from a 1% increase/decrease in the medical inflation assumption is as follows:

Benefit Projection	Current Assumption Rands	Discount Rate -1% Rands	Discount Rate +1% Rands
PBO at start of period (2017)	53 035 068	63 244 534	45 027 381
Interest cost	5 195 264	5 569 860	4 853 057
Service cost	2 705 119	3 379 824	2 192 419
Expected benefit payments	(1 142 657)	(1 142 657)	(1 142 657)
PBO at the end of period (2018)	59 792 794	71 051 561	50 930 200

Valuation method and assumptions

Assets

There are currently no long-term on-balance sheet assets set aside in respect of the post-retirement Health Care liabilities.

Accrued liabilities and Current Service Cost

The value of the Entity's accrued liabilities has been determined by using the Projected Unit Credit Method (the "funding method") and a set of actuarial assumptions. The funding method and the assumptions that were used are described in more detail below.

Funding method

The liability in respect of active Employees is determined by discounting the projected future benefit payments in respect of these Employees using assumptions regarding the possible future experience. The liability has been proportioned between past service and future service. The liability in respect of current pensioners is fully accounted for.

The current service cost is the cost of providing the benefits over the year following the valuation date.

All actuarial gains and losses are recognised immediately. We have not allowed for any disclosure under the corridor method.

Actuarial assumptions

Actuarial valuation assumptions shall be unbiased and mutually compatible, and are an Entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits.

Actuarial valuation assumptions are unbiased if they are neither imprudent nor excessively conservative. Actuarial valuation assumptions are mutually compatible if they reflect the economic relationships between factors such as inflation, rates of medical aid premium increases, the return on plan assets and discount rates.

Financial valuation Assumptions

The assumptions used are based on statistics and market data as at 30 June 2017.

Assumption	2017	2016
Discount rate	9.66%	9.74%
General Inflation	6.53%	7.26%
Salary Inflation	8.03%	8.76%

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

Real Rate (GAP)	1.5%	0.9%
-----------------	------	------

Discount rate Assumption

The discount rate reflects the estimated timing of benefit payments. In practice, an Entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have used the average nominal yield curve for SA Government bonds with duration of between 15 and 20 years as at 30 June 2017. The resultant discount rate was 9.66%. The source is the Johannesburg Stock Exchange through INET BFA data services.

Future Inflation Assumptions

The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.

We have used the difference between SA Government nominal and real bonds with duration of between 15 and 20 years and allowed for a 0.5% inflation risk premium. The implied inflation assumption is therefore 6.53% per annum. The source is the Johannesburg Stock Exchange through INET BFA data services.

Future Medical Inflation Assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase.

South Africa has experienced high health care cost inflation in recent years and our assumption is that health care cost will exceed general inflation by about 1.5% per annum.

The Health care cost inflation rate was therefore set at 8.03% per annum.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in medical inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 1.50% per annum (derived from a discount rate of 9.66% and the expected medical inflation rate of 8.03%).

Demographic Valuation Assumptions

Estimates (actuarial valuation assumptions) are also required to be made about demographic variables (such as employee turnover and mortality) that will influence the cost of the benefit (see paragraphs .96 to .104), discounting that benefit using the Projected Unit Credit Method.

Pre-retirement mortality

We have assumed that the pre-retirement mortality will be in line with the SA85-90(Light) table, rated down by 3 years for females, which is a table reflecting mortality experience in South Africa. This assumption is in line with the previous assumption used.

Post-retirement mortality

We have based the post-retirement mortality assumptions on the PA (90) mortality tables rated down by 1 year.

Withdrawal rates

The table below used reflect the rates of withdrawal used to value the liabilities for both males and females.

Age	Withdrawal Rate
-----	-----------------

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

13. Provisions (continued)

20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55+	0%

Assumed Retirement Age

The Normal Retirement Age is 65 years. We have assumed that employees will retire at age 63, which implicitly allows for the expected rates of early retirement.

Family profile

We assumed 80% of In Service Employees on a health care arrangement will be married at retirement. Males were assumed to be three years older than their female spouses. The data provided in respect of the Continuation Members indicated the presence/absence of an adult dependent and provided the actual birth dates of spouses. The actual adult dependent data in respect of Continuation Members was therefore used. Employees were assumed to have no dependent children after retirement. Dependent adults were assumed to be covered for their life.

Continuation of membership

It was assumed 100% of the In Service Employees will remain on the Entity's health care arrangement should they stay until retirement. It was further assumed that 20% of the current eligible In Service Non- Members will be on an Entity-sponsored medical aid scheme at retirement and will be eligible for the subsidy. It was further assumed that the subsidy will be at the average of the current Members.

It was assumed that Employees retiring will remain on the current plan and option at retirement as well as on the same income category after retirement.

Changes since the previous valuation

We understand that there were no changes to the rules governing payment and eligibility for the medical subsidy since the previous valuation. As far as assumptions are concerned only the discount rate and general inflation which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation.

14. Other liability

The liability disclosed relates to a Loan from the Dr Ruth S Mompoti District Municipality to assist the municipality with the settlement of ESKOM outstanding payments

15. Payables from exchange transactions

Trade payables	381 738 691	325 840 535
Retentions and guarantees	5 372 668	4 661 072
Staff leave accrual	8 359 284	8 882 498
Bonus accrual	2 717 307	2 664 889
Other payables	39 704 858	45 367 241
	437 892 808	387 416 235

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
15. Payables from exchange transactions (continued)		
The movement in staff leave and bonus accrual above are reconciled as follows:		
Balance at beginning of year	11 547 387	8 791 847
Contribution to provision	7 384 182	9 915 092
Expenditure incurred	(7 854 978)	(7 159 552)
	11 076 591	11 547 387
16. Consumer deposits		
Water and electricity	6 490 924	6 672 149
17. Revenue		
Service charges	148 583 189	158 682 548
Rental of facilities and equipment	1 003 611	806 567
Licences and permits	6 390 006	6 569 415
Other income - (rollup)	30 881 795	46 978 222
Interest received - investment	21 123 736	16 956 616
Property rates	76 825 604	36 775 732
Government grants & subsidies	105 750 077	106 726 243
Fines, Penalties and Forfeits	1 811 750	976 737
	392 369 768	374 472 080
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	148 583 189	158 682 548
Rental of facilities and equipment	1 003 611	806 567
Licences and permits	6 390 006	6 569 415
Other income - (rollup)	30 881 795	46 978 222
Interest received - investment	21 123 736	16 956 616
	207 982 337	229 993 368
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	76 825 604	36 775 732
Transfer revenue		
Government grants & subsidies	105 750 077	106 726 243
Fines, Penalties and Forfeits	1 811 750	976 737
	184 387 431	144 478 712
18. Service charges		
Sale of electricity	100 360 927	114 197 271
Sale of water	15 119 072	14 479 468
Sewerage and sanitation charges	17 194 461	15 441 282
Refuse removal	15 908 729	14 564 527
	148 583 189	158 682 548

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
19. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	986 767	785 434
Rental of equipment	16 844	21 133
	1 003 611	806 567
20. Other revenue		
Other income - (rollup)	30 881 795	46 978 222
21. Other income		
Advertisement fees	39 607	20 595
Commission on sales	1 305 931	1 045 817
Valuation certificates	17 328	11 090
Sundry income	20 433 153	95 641
Sundry creditors written-off	-	33 743 306
Sub-division fees	1 568 575	288 246
Selling of game/hunting packages	-	199 794
Surplus cash	-	29
Sale of plans	25 381	21 496
PPE transfer received	7 089 000	8 257 155
Photocopy charges	1 822	4 515
Insurance claims received	-	1 158 894
Salary deductions commission	244 473	266 192
Bid document fees	44 657	70 132
Roadworthy certificates	33 741	437 145
Reversal of impairment of other receivables	(855 755)	585 047
Availability fees	229 433	194 931
Re-connection fees	21 510	7 826
Business registration fees	13 835	12 983
Building plan fees	195 007	153 951
Cemetery fees	333 755	259 236
Entrance fees	140 342	144 201
	30 881 795	46 978 222
22. Investment revenue		
Interest revenue		
External investments	528 837	401 679
Outstanding receivables	20 594 899	16 554 937
	21 123 736	16 956 616

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

23. Property rates

Rates received

Residential	10 434 094	10 716 794
Commercial	17 993 035	17 993 035
State	48 398 475	8 065 903
	76 825 604	36 775 732

Valuations

Residential	2 146 290 359	2 144 808 867
Businesses	977 128 035	959 374 975
Industrial	128 243 000	128 243 000
Agricultural	4 224 113 150	4 206 391 150
Government	432 089 000	432 089 000
	7 907 863 544	7 870 906 992

Valuations on land and buildings are performed every four years. The new general valuation (GV) roll came into effect on 1 July 2014. The MPRA objection and appeals process of the GV were finalised during April 2015. Supplementary valuation roll 1 was completed in May 2015 and the MPRA process started, effective only during 2015/2016. Supplementary valuation roll 2 was completed in March 2016 and the MPRA process started, effective only during 2016/2017. Supplementary valuation roll 3 was conducted during 2016/2017.

24. Grants and subsidies paid

Other subsidies

Community bursaries	3 450	3 600
Disaster relief aid	21 117	-
District Municipality Asset Grant	106 720	304 619
Donations	-	2 624
LED projects	-	22 922
Naledi Animal Shelter	-	60 000
Pauper burials	-	2 233
Refuse bags	12 806	51 861
Transfers to community members	-	1 549 929
	144 093	1 997 788

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

25. Government grants and subsidies

Operating grants

Equitable share	41 201 000	39 619 000
Municipal Infrastructure Grant (MIG)	34 777 947	28 231 189
Finance Management Grant (FMG)	1 700 000	1 600 000
Municipal Systems Improvement Grant (MSIG)	-	930 000
INEP Grant	19 725 000	8 917 196
Expanded Public Works Programme Grant (EPWP)	1 884 000	1 876 000
Department of Sports, Arts and Culture Grant (DSAC)	1 235 347	1 450 000
Dr Ruth S Mompoti District Municipality Grant	4 369 364	16 821 456
LG Seta Grant	857 419	195 321
Department of Energy Grant (SANEDI)	-	7 086 081
	105 750 077	106 726 243

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	64 549 077	67 107 243
Unconditional grants received	41 201 000	39 619 000
	105 750 077	106 726 243

Equitable Share

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	18 573 974	961 163
Current-year receipts	41 204 000	45 844 000
Conditions met - transferred to revenue	(34 777 947)	(28 231 189)
	25 000 027	18 573 974

Conditions still to be met - remain liabilities (see note 11).

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.
No funds have been withheld.

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	1 700 000	1 600 000
Conditions met - transferred to revenue	(1 700 000)	(1 600 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund the financial operations of the municipality.
No funds have been withheld. Additional text

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
--------------------------------------	---	---

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
25. Government grants and subsidies (continued)		
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund training of municipal staff. No funds have been withheld.

INEP Grant

Balance unspent at beginning of year	-	-
Current-year receipts	19 725 000	15 000 000
Net balance claimed against debtor / creditor	-	(6 082 804)
Conditions met - transferred to revenue	(19 725 000)	(8 917 196)
	-	-

Conditions still to be met - remain liabilities (see note 11).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwelling, the installation on bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.
No funds have been withheld.

Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	1 884 000	1 876 000
Conditions met - transferred to revenue	(1 884 000)	(1 876 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund labour based capital expansion programs.
No funds have been withheld.

Department of Sports, Arts and Culture Grant (DSAC)

Balance unspent at beginning of year	-	-
Current-year receipts	1 450 000	1 450 000
Conditions met - transferred to revenue	(1 235 347)	(1 450 000)
	214 653	-

Conditions still to be met - remain liabilities (see note 11).

To facilitate mass participation within communities and schools.
No funds have been withheld.

Dr Ruth S Mompoti District Municipality Grant

Balance unspent at beginning of year	-	265 419
Current-year receipts	4 369 364	16 556 037
Conditions met - transferred to revenue	(4 369 364)	(16 821 456)
	-	-

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
25. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 11).		
The district municipality assists the local municipality with this grant when it is in need. No funds have been withheld.		
LG Seta Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	2 374 026	195 321
Conditions met - transferred to revenue	(1 017 419)	(195 321)
	1 356 607	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund training of community members.
No funds have been withheld..

Department of Energy Grant (SANEDI)

Current-year receipts	-	8 000 000
Net balance claimed against debtor / creditor	-	(913 919)
Conditions met - transferred to revenue	-	(7 086 081)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund the implementation of the municipality's smart electricity meter program. No funds have been withheld.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
26. Employee related costs		
Employee related costs - Salaries and wages	102 533 421	93 379 658
Performance and other bonuses	6 783 741	6 401 443
Employee related costs - Contributions to UIF, pensions and medical	24 576 288	22 529 095
Other employee related costs	4 043 322	6 294 184
Continued medical aid contributions	3 276 864	2 988 946
Travel and motor car allowances	12 117 482	10 948 216
Overtime payments	6 401 733	7 611 536
Long-service awards	1 100 500	994 089
Housing benefits and allowances	1 485 921	1 570 852
	162 319 272	152 718 019
Remuneration of municipal manager		
Annual Remuneration	685 634	1 005 210
Travel Allowance	93 192	211 840
Performance Bonuses	74 554	-
Contributions to UIF, Medical and Pension Funds	95 737	208 921
	949 117	1 425 971
Remuneration of chief finance officer		
Annual Remuneration	1 242 058	828 618
Travel Allowance	527 001	499 148
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	24 774	15 062
	1 793 833	1 342 828
Remuneration of technical services director		
Annual Remuneration	910 170	968 630
Travel Allowance	135 305	192 230
Performance Bonuses	84 565	-
Contributions to UIF, Medical and Pension Funds	109 571	151 181
	1 239 611	1 312 041
Remuneration of corporate services director		
Annual Remuneration	981 662	939 509
Travel Allowance	182 833	182 833
Performance Bonuses	67 652	-
Contributions to UIF, Medical and Pension Funds	198 313	181 491
	1 430 460	1 303 833
Remuneration of community services director		
Annual Remuneration	937 313	841 232
Travel Allowance	171 190	162 142
Performance Bonuses	60 230	-
Contributions to UIF, Medical and Pension Funds	170 231	161 100
	1 338 964	1 164 474

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
27. Remuneration of councillors		
Major	761 922	743 553
Speaker	606 853	574 009
Executive committee members	1 397 996	1 604 234
Councillors	3 719 683	3 093 421
Councillors' pension, medical aid and SDL contributions	493 621	545 677
	6 980 075	6 560 894
In-kind benefits		
The Mayor is full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle with one driver for official duties.		
Remuneration of individual councillors Remuneration of individual councillors are reflected per Note 38		
28. Depreciation and amortisation		
Property, plant and equipment	35 892 345	36 566 731
29. Impairment of assets		
Impairments		
Property, plant and equipment	-	1 014 592
Cash generating assets: Land		
The Naledi old landfill sites are not in use. The increase in value as a result of the additional provision for rehabilitation of landfill sites gives rise to an addition to an asset that is not in use. The recoverable amount / fair value of the asset is R0. The asset can not be disposed, thus the fair value less cost to sell is also R0. The addition is a clear indicator of an impairment and treated as such.		
Non-cash generating assets: Community		
The Vryburg library is under renovation. At year-end, phase I of the renovation process was completed, which entailed the dismantling of the library. No construction had taken place at the time. The recoverable amount has been determined as the fair value less cost to sell by completing a extensive valuation through the municipal valuers.		
Trade and other receivables	24 411 453	27 742 362
Increase in the provision for bad debts		
Other receivables from non-exchange revenue	9 184 366	13 308 049
Increase in the provision for bad debts		
	33 595 819	42 065 003
30. Finance costs		
Borrowings	31 813	9 572
Other creditors	-	1 142
Trade creditors	33 144 780	27 063 459
Finance lease liability	19 822	181 383
SARS	-	1 140 486
Actuarial valuations	6 400 911	5 115 812
	39 597 326	33 511 854

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
31. Bulk purchases		
Electricity	76 280 207	76 402 080
Water	24 373	12 062 388
	76 304 580	88 464 468
32. Contracted services		
Security services	4 880 698	3 741 389
Accounting services	5 485 031	2 605 608
Valuation services	21 000	-
Meter reading services	761 493	388 601
OHS Services	313 552	32 944
Contracted Workers	7 218 393	7 168 692
Contracted Services	76 622	73 440
Smart Meter Management Services	-	2 993 360
Bulk water provision services	-	567 000
Refuse removal services	1 780 465	1 109 098
Sewerage removal services	3 355 541	2 614 678
Professional Fees	-	11 156
Professional Services	1 983 230	2 061 969
	25 876 025	23 367 935

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
33. General expenses		
Advertising	268 936	259 859
Audit fee	2 770 142	2 908 070
Bank charges	362 456	364 546
Cleaning materials and consumables	63 712	99 814
Employee sports program	375 850	269 972
Employee arbitration cases	354 841	47 168
Legal expenses	1 557 324	407 907
Employee OHS assessments	-	350
SARS penalties	263	1 300 685
Insurance	1 524 247	1 308 638
Community functions	32 250	114 235
Congresses and conferences	28 500	8 000
IT expenses	300	-
Promotion and marketing	216 600	145 938
Workmans compensation	-	663 360
Employee assistance program	45 196	39 364
Employee bursaries	50 450	68 367
Vehicles: Fuel and oil	1 912 584	2 207 816
Machinery: Fuel and oil	90 791	94 253
Postage stamps and telegraphs	638 409	717 437
Printing and stationery	1 120 903	1 692 381
Rental: Vehicles	359 223	432 263
Uniforms and protective clothing	1 763 828	31 317
Software expenses	350 998	792 594
Refreshments and meals	84 612	182 834
Book and publications	-	5 228
Telephone and fax	2 452 701	2 254 223
Training and courses	1 299 720	298 843
Travel and subsistence: Councillors	239 407	150 326
Title deed search fees	5 093	4 940
Small tools and equipment	79 619	165 296
Electricity	1 656 528	1 787 025
Kitchen ware and cutlery	-	645
Community functions / IDP	38 227	13 800
Travel and subsistence: Officials	1 249 868	1 139 089
Vehicles: Licenses	238 943	221 771
Membership fees: Societies	2 961 605	1 665 313
Ward committee stipends	873 650	981 710
Grave markers and consumables	-	2 236
Rental : Equipment	988 794	139 131
Salt Feed and Medicine	-	5 758
Travel and subsistence : Interviews	3 484	5 255
Chemicals	69 747	127 800
Special projects	20 200	60 252
Sundry expenses	126 660	1 192 229
	26 276 661	24 378 038
34. Auditors' remuneration		
Fees	2 770 142	2 908 070

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
35. Cash generated from operations		
Deficit	(10 009 340)	(43 368 889)
Adjustments for:		
Depreciation and amortisation	35 149 380	36 121 531
Gain on sale of assets and liabilities	2 960 522	1 387 443
Finance costs - Finance leases	19 822	181 383
Impairment deficit	34 338 785	42 510 203
Movements in provisions	(16 802 582)	7 529 797
Actuarial gains / losses	(10 090 685)	220 137
Unwinding of discounting	12 673	125 839
Changes in working capital:		
Inventories	95 359	(59 547)
Receivables from exchange transactions	(24 411 453)	(27 742 362)
Consumer debtors	1 337 783	758 785
Other receivables from non-exchange transactions	(9 565 249)	(9 846 836)
Payables from exchange transactions	50 476 573	61 827 959
VAT	(7 996 343)	(4 490 823)
Unspent conditional grants and receipts	7 997 313	17 347 392
Consumer deposits	(181 225)	1 025 625
	53 331 333	83 527 637

36. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	10 393 205	-	10 393 205
Consumer debtors	18 592 982	-	18 592 982
Cash and cash equivalents	-	18 628 259	18 628 259
	28 986 187	18 628 259	47 614 446

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	27 102 913	-	27 102 913
Trade and other payables from exchange transactions	-	435 762 172	435 762 172
	27 102 913	435 762 172	462 865 085

2016

Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	10 012 322	-	10 012 322
Consumer debtors	19 930 765	-	19 930 765
Cash and cash equivalents	-	18 582 745	18 582 745
	29 943 087	18 582 745	48 525 832

Financial liabilities

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016	
Financial instruments disclosure (continued)			
	At amortised cost	At cost	Total
Other financial liabilities	29 158 304	-	29 158 304
Trade and other payables from exchange transactions	-	387 416 235	387 416 235
	29 158 304	387 416 235	416 574 539
37. Commitments			
Authorised capital expenditure			
Approved and contracted for Property, plant and equipment		65 780 354	24 388 247
Approved but not yet contracted for Property, plant and equipment		18 537 988	56 288 000
Total capital commitments			
Already contracted for but not provided for		65 780 354	24 388 247
Not yet contracted for and authorised by accounting officer		18 537 988	56 288 000
		84 318 342	80 676 247
Authorised operational expenditure			
Approved and contracted for Operational expenditure		46 544 743	23 493 375
Approved but not yet contracted for Operational expenditure		-	-
Total operational commitments			
Already contracted for but not provided for		46 544 743	23 493 375
Total commitments			
Total commitments			
Authorised capital expenditure		84 318 342	80 676 247
Authorised operational expenditure		46 544 743	23 493 375
		130 863 085	104 169 622

This committed expenditure relates to plant and equipment and operating expenditure and will be financed from government grants R37 773 599 (2016: R77 806 787) and own resources R46 544 743 (2016: R2 869 459).

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

38. Contingencies

Contingent liabilities

2017

NALEDI / KHASU

Khasu Engineering [Pty] Ltd. Issued summons against the Municipality for in total approximately R48Million plus interest and costs. The matter was defended and a plea filed.

NALEDI LOCAL MUNICIPALITY & MOMPATI & KEBOTLHALE / GALENG & COLANE

Summons was issued by Galeng and Colane against Naledi Local Municipality, Dr Mompoti & Tebogo Kebothale. Claim is based on defamation of character. We are of the opinion that they will not proceed with the matter. Total amounts claimed: R1 355 000.00 and R575 000.00.

NALEDI LOCAL MUNICIPALITY & TORO YA AFRICA / KHASU ENGINEERING

In this matter the applicant Khasu Engineering [Pty] Ltd. brought an application against Naledi Local Municipality as well as Toro Ya Africa. The applicant as such was opposed herein. Our opponents did not proceed with the application as they as they are at liberty to proceed and there is nothing for us to win herein, we did not proceed further. We are of opinion that the applicant, to wit Khasu Engineering [Pty] Ltd. is insolvent and cannot pay its debt. It will have no effect on us to proceed and try and finalise this matter and also get a cost order against them. The estimated legal costs are an amount of ±R61,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote..

NALEDI LOCAL MUNICIPALITY / JAMES VAN COLLER

In this matter James van Coller issued summons against the Municipality. We did defend the matter and also has pleaded. At the present stage we are waiting for a court date from our opponents to proceed herewith. Total amount claimed: R42 828.

NALEDI LOCAL MUNICIPALITY / M & DJ SECURITY SOLUTIONS

Summons was issued in 2009. We did defend the matter herein and filed a special plea based on Section 3 of Act 40 of 2002 as well as a plea on the merits. Since then the correspondents for Johan Kotze Attorneys, to wit Frylinck & Walker, withdrew as attorneys of record. We are of opinion that they will not proceed with any further action. Total amount claimed: R39 645

NALEDI LOCAL MUNICIPALITY / SHATSANE SYSTEMS SOLUTIONS

The Naledi Local Municipality is the liable person herein. First claim liable for the amount of R12 434 627.64 plus interest and cost. Second claim is payment of the amount of R23 997 000.00 with cost and interest. are busy with the collection of same.

NALEDI MUN / D.J. MOINWE

In this matter the Naledi local municipality received a letter of demand on the 30th of September 2015 regarding an accident that happened on the 14th of September 2014 at pick and pay area Vryburg between the plaintiffs' vehicle and the vehicle that is owned by the municipality. Total amount claimed: R35 304.

NALEDI MUN / DITIRA FOURIE

In this matter the Municipality received a Letter of Demand on the 25th of June 2014. Since the 5th of August 2014 we didn't receive any response from the Plaintiffs' attorneys and they also did not proceed to issue Summons. Total amount claimed: R100 000.

NALEDI LOCAL MUNICIPALITY & MTHIMUNE / MOKWENA

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

2017

2016

38. Contingencies (continued)

This case relates to a matter between the former Municipal Manager and Director of Naledi Municipality. Total amount claimed: R150 000.

NALEDI LOCAL MUNICIPALITY / KHASU ENGINEERING [PTY] LTD

Matter finalised the plaintiff lost and is appealing the matter, the court ruled that Naledi overpaid him at some point, the attorney for Naledi are of the opinion that this matter will not proceed further since there is another case that emerged were Khasu counter sued the municipality, this applies to all cases for Khasu. Total amount claimed: R150 000.

NALEDI LOCAL MUNICIPALITY / PASTOR MASEKWANE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / K.P. MOLALE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / O KGARANE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / O N NTSHEKANG

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / K I MOKGALAGADI

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / P MOLELE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / L L MOLEBOGE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / M E JOSEPH

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / T SENYE

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

2017

2016

38. Contingencies (continued)

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

POST-EMPLOYMENT MEDICAL AID

Due to the difficulty in joining a medical aid fund when nearing retirement, 20% of employees are currently not on a company subsidised medical plan and are likely to join one such medical plan before retirement. This will result in a possible contingent liability for the current year R1 496 282,40 (20% x 213 x R2 927 x 12) of and for the prior year of R1,499,366.40 (20% x 224 x R2,789 x 12).

2016

NALEDI LOCAL MUNICIPALITY / MAXIMUM PROFIT RECOVERY (PTY) LTD

This is a claim brought by Maximum Profit Recovery (Pty) Ltd for VAT recovery services rendered for which there are outstanding claims that the municipality had allegedly not yet paid for. The Naledi Local Municipality is at risk. The Plaintiff issued summons against the Naledi Local Municipality for services rendered. We filed a notice in terms of Rule 30 of an irregular step. We are awaiting a trial date to argue about the Plaintiff's irregular step. The Municipality is at risk for the amount of R897,417.58 plus costs and interest.

NALEDI LOCAL MUNICIPALITY AND TORO YA AFRICA / KHASU ENGINEERING

In this matter the applicant Khasu Engineering (Pty) Ltd. brought an application against Naledi Local Municipality as well as Toro Ya Africa. The applicant as such was opposed herein. Our opponents did not proceed with the application as they as they are at liberty to proceed and there is nothing for us to win herein, we did not proceed further. We are of opinion that the applicant, to wit Khasu Engineering (Pty) Ltd. is insolvent and cannot pay its debt. It will have no effect on us to proceed and try and finalise this matter and also get a cost order against them. The estimated legal costs are an amount of ±R61,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote.

NALEDI LOCAL MUNICIPALITY / GH GALENG AND KN COLANE

The municipality allegedly laid false charges against the individuals for which GH Galeng and KN Colane had issued a summons on 20 December 2006. The claim relates to the period prior to 30 June 2011. We are of opinion that the they will not proceed with the matter and the risk is very low. The Municipality is at risk for the amount of R1,930,000.

POST-EMPLOYMENT MEDICAL AID

Due to the difficulty in joining a medical aid fund when nearing retirement, 20% of employees are currently not on a company subsidised medical plan and are likely to join one such medical plan before retirement. This will result in a possible contingent liability for the current year R1,499,366.40 (20% x 224 x R2,789 x 12) of and for the prior year of R1,548,146.40 (20% x 239 x R2,699 x 12).

Contingent assets

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

38. Contingencies (continued)

2017

NO CONTINGENT ASSETS WERE IDENTIFIED.

2016

NALEDI LOCAL MUNICIPALITY / QUICK SPARX

We confirm that we have consulted with Advocate Nico Jagga in the abovementioned matter. We furthermore confirm that we have consulted with SizweNtsalubaGobodo Incorporated Forensic Auditors. In respect of Quick Sparx it was agreed between ourselves and the Forensic Auditors to obtain an asset forfeiture order in the High Court against Quick Sparx. As soon as the order has been obtained and Quick Sparx assets has been seized and frozen, we will assess the value of the assets seized and frozen, before we proceed to issue summons against Quick Sparx for the amount of R600,000. It is our thinking that issuing summons before a forfeiture order is obtained will simply alert the sole member of Quick Sparx and her husband, which may result in them hiding their assets. We were also instructed to recover the amount of R342,000.00 in respect of two transformers that were installed at the Vryburg Abattoir. We have engaged Vryburg Abattoir and they were of the opinion that the replacement of the transformers is the financial responsibility of Naledi Local Municipality. The estimated legal costs are an amount of ±R150,000.00. We expect that this matter will be handled in future and we believe that our claim is not remote.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
39. Related parties		
Relationships		
Accounting Officer	Refer to accounting officer's report note	
Related Government Entities	Dr Ruth S Mompoti District Municipality	
Members of key management	MT Segapo	
	DM Thornhill	
	C Malefo	
	T Appolus	
	L Moinwe	
Related party balances and transactions		
Members of key management		
MT Segapo	-	-
DM Thornhill	-	-
C Malefo	-	-
T Appolus	-	-
L Moinwe	-	-
Amounts included in transactions regarding related parties		
Dr Ruth S Mompoti District Municipality	6 648 025	-

Naledi Local Municipality
(Registration number NW392 - (Grade 3))
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Remuneration of management

Members of the executive committee

2017

Name	Annual remuneration	Travel allowance	Housing allowance	Telephone allowance	Contributions to UIF, medical and pension funds	Total
Mayor	484 181	133 922	101 998	41 820	46 876	808 797
Speaker	372 153	33 832	179 544	21 325	33 874	640 728
Chairperson: Finance and Economic Development	341 559	44 713	131 525	20 868	56 166	594 831
Chairperson: Human Resources, Skills Development and Training	28 426	2 720	10 687	1 739	5 972	49 544
Chairperson: Infrastructure, Basic Services and Social Development	341 115	81 337	119 286	20 868	33 969	596 575
Chairperson: Municipal Public Accounts Committee	170 875	42 364	19 046	20 868	55 827	308 980
Other Councillors	2 168 756	478 012	774 725	298 190	260 937	3 980 620
	3 907 065	816 900	1 336 811	425 678	493 621	6 980 075

2016

Name	Annual remuneration	Travel allowance	Housing allowance	Telephone allowance	Contributions to UIF, medical and pension funds	Total
Mayor	375 185	93 797	232 751	41 820	63 513	807 066
Speaker	355 128	50 098	147 915	20 868	58 842	632 851
Chairperson: Finance and Economic Development	328 983	47 707	142 473	20 868	54 962	594 993
Chairperson: Human Resources, Skills Development and Training	324 384	35 634	142 901	20 868	70 571	594 358
Chairperson: Infrastructure, Basic Services and Social Development	326 428	41 000	152 118	20 868	54 329	594 743
Chairperson: Municipal Public Accounts Committee	134 421	33 605	105 028	20 868	23 067	316 989
Other Councillors	1 506 034	224 421	818 629	250 416	220 393	3 019 893

Notes to the Annual Financial Statements

Figures in Rand

	Land and Buildings	Infrastructure	Community	Other	Total
39. Related parties (continued)	3 350 563	526 262	1 741 815	396 576	545 677
					6 560 893

Chairperson Hester Louwma Pretorius was Chairperson of Finance and Economic Development for the entire year under review as well as Chairperson: Human Resources, Skills Development and Training from August, for the purpose of the note, remuneration has been included as part of Chairperson of Finance and Economic Development.

40. Prior period error

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

40. Prior period error (continued)

Cash Flow Statement

	2017 Comparative	2016	After Correction of Error
Net cashflow from operating activities	83 527 638	(73 052 898)	10 474 740
Purchase of PPE	(63 015 934)	54 758 779	(8 257 155)
Movement in Landfill Site Assets	(544 174)	-	(544 174)
Repayment of other financial liabilities	(1 490 428)	1 500 000	9 572
Finance lease payments	(1 682 983)	-	(1 682 983)
Notes to the financial statements for cashflow:			
Depreciation and amortisation	36 566 731	(37 581 324)	(1 014 593)
Gain on sale of assets of assets and liability	1 387 443	(1 572 943)	(185 500)
Finance cost - Leases	181 383	(33 511 854)	(33 330 471)
Impairment deficit	42 065 003	(33 488 575)	8 576 428
Movement in provisions	7 529 797	(7 875 774)	(345 977)
Actuarial gains/losses	220 137	-	220 137
Unwinding of discounting	125 839	-	125 839
Sundry creditors written-off	-	33 743 306	33 743 306
PPE Transfers received	-	8 257 155	8 257 155
Increase in game	-	185 500	185 500
Provision in landfill site	-	544 174	544 174
Interest earned	-	16 956 615	16 956 615
Changes of working capital:			
Receivables	(27 742 362)	32 729 790	4 987 428
Consumer debtors	758 785	-	758 785
Other receivables from non-exchange	(11 146 279)	(37 204 519)	(48 350 798)
Payables	63 127 403	(61 827 962)	1 299 441
Consumer deposits	1 025 625	(1 025 625)	-
Finance lease liability	-	1 501 601	1 501 601

Statement of financial performance

	2017 Comparative	2016	After Correction of Error
Depreciation and amortisation	(36 566 731)	37 581 324	1 014 593
Impairment loss / reversal of impairments	(42 065 003)	41 050 410	(1 014 593)
Total	(78 631 734)	78 631 734	-

PPE Land - Note 3

A reclassification error corrected between the Land - Cost and Land Accumulated Depreciation amounting to R5 850 183.

PPE Community - Note 3

A reclassification error corrected between the Community - Cost and Community Accumulated Depreciation amounting to R1 210 386.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

41. Risk management

Financial risk management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is mitigated by the fact that consumer debtors have been adequately provided for as impaired.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Current Account (Primary Bank Account) - FNB Acc nr: 54160030382	8 838 986	1 847 782
Current Account (Other Account) - ABSA Acc nr: 4070282707	125 050	214 911
Other short-term investments	9 657 057	16 506 239
Trade and other receivables	28 986 187	29 943 087

These balances represent the maximum exposure to credit risk.

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Price risk

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

41. Risk management (continued)

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Other Receivables are individually evaluated annually at year-end date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

42. Going concern

Naledi Local Municipality incurred a net loss of R10 009 340 during the year ended 30 June 2017 and, as of that date, the Municipality's current liabilities exceeded its current assets by R408 208 282.

Management believes that the Going Concern assumption is appropriate, however based on the financial liabilities and background we understand that a material uncertainty might exist at year-end.

Management is however confident that the financial situation of the municipality will be turned-around in the next financial year due to the following processes and activities implemented to address the going concern risk:

- A financial turnaround strategy was implemented and approved by Council
- Implementation and adoption of policy and procedure manuals affecting the financial statements of the municipality as well as the internal controls of the municipality
- Agreements were reached with the major current and long-term creditors to pay off long outstanding debt on a monthly basis, resulting from cash flow constraints the municipality is currently in defaulting with these agreements. The municipality is in the process of re-negotiating with the affected suppliers.
- Service providers have been appointed to implement electronic water and electricity meters, which will assist in resolving the speedier collection of consumer debtors
- As part of the financial turnaround and the new adopted credit control policy the municipality is in the process of handing over all debtors older than 90 days and this is assisted by the establishment of an internal debt collection unit
- The municipality in addition embarked in a Solar Plant Project to assist with the electricity debt.

43. Unauthorised expenditure

Balance brought forward	60 158 320	107 105 789
Unauthorised expenditure current year	28 227 765	60 158 320
Condoned or written-off by council	-	(107 105 789)
Recovery of unauthorised expenditure	-	-
	88 386 085	60 158 320

The unauthorised expenditure relates to the 2015/16 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorised expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

44. Fruitless and wasteful expenditure

Balance brought forward	61 832 324	32 316 980
Fruitless and wasteful expenditure current year	35 127 494	29 515 344
Condoned or written-off by council	-	-
Recovery of fruitless and wasteful expenditure	-	-
	96 959 818	61 832 324

The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to Eskom and other payables in the 2015/16 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

45. Irregular expenditure

Opening balance	156 898 310	153 735 253
Add: Irregular Expenditure - current year	2 076 713	3 163 057
Less: Amounts condoned or written off by council	-	-
Less: Amounts recoverable (not condoned)	-	-
	158 975 023	156 898 310

Analysis of expenditure awaiting condonation per age classification

Current year	2 076 713	3 163 057
Prior years	156 898 310	153 735 253

The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

i) No further material losses or material irregular expenditure had occurred during the financial year.

ii) No criminal or disciplinary steps were taken as a result of losses from the above.

iii) No material losses have been recovered or written-off.

158 975 023 156 898 310

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Minor breach of section 36 SCM regulation not followed	Investigation in progress	2 076 713

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government: SALGA NW

Opening balance	2 196 162	524 692
Council subscriptions	2 961 605	1 660 313
Other services	-	11 157
Amount paid - current year	(300 000)	-
Amount paid - previous years	-	-
	4 857 767	2 196 162

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	3 001 835	1 610 316
Current year audit fee	2 769 402	2 142 399
Amount paid - current year	(323 073)	(750 880)
	5 448 164	3 001 835

PAYE and UIF

Opening balance	1 582 080	1 552 120
Current year payroll deductions	21 376 978	19 433 845
Amount paid - current year	(19 701 164)	(17 851 765)
Amount paid - previous years	(1 552 120)	(1 552 120)
	1 705 774	1 582 080

The balance carried forward represents over-payments made to SARS (under-payment in previous year).

Pension and Medical Aid Deductions

Opening balance	4 433 475	3 953 523
Current year payroll deductions and council contributions	34 246 111	31 917 658
Amount paid - current year	(28 416 524)	(27 484 183)
Amount paid - previous years	(4 433 475)	(3 953 523)
	5 829 587	4 433 475

The balance carried forward represents over-payments made to Pension and Medical Aids (under-payment in previous year).

VAT

VAT receivable	32 670 327	24 673 984
----------------	------------	------------

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. J.A. Adonis	371	-	371
Cllr. B.P. Bareng	647	-	647
Cllr. J.G. Brand	2 329	-	2 329
Cllr. L. Coetzee	4 044	94	4 138
Cllr. A Diedericks	5 708	-	5 708
Cllr. C.J. Groep	642	-	642
Cllr. O.A. Ketela	1 708	59 130	60 838
Cllr. M.J. Mathiba	1 133	1 980	3 113
Cllr. J Mathiba	2 729	2 585	5 314
Cllr. M.A. Mccarthy	1 981	2 138	4 119
Cllr. S.T. Modise	1 852	2 882	4 734
Cllr. D.T. Mogale	1 708	7 463	9 171
Cllr. P.K. Moloi	1 708	2 220	3 928
Cllr. E.K. Moroka	1 708	4 465	6 173
Cllr. D Motobo	1 708	39 957	41 665
Cllr. M Mustafa	2 092	800	2 892
Cllr. M.A. Nchochoba	1 708	42 272	43 980
Cllr. H/K.L. Philander	1 708	75 900	77 608
Cllr. M.C. Pretorius	1 292	1 683	2 975
Cllr. E.G. Ramorogadi	1 708	-	1 708
Cllr. E.P. Renoster	-	-	-
Cllr. M.L. Thekisho	1 999	3 651	5 650
	40 483	247 220	287 703

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. S.T. Modise	101	319	420
Cllr. N.G. Mathiba	-	-	-
Cllr. C.J. Groep	-	-	-
Cllr. E.K. Moroka	803	-	803
Cllr. H.L. Pretorius	2 131	-	2 131
Cllr. K.K. Kgajane	1 196	46 290	47 486
Cllr. D.P. Matobo	1 196	33 447	34 643
Cllr. J.A. Adonis	1 906	-	1 906
Cllr. P.K. Moloi	-	-	-
Cllr. A.N. Bareng	2 001	8 289	10 290
Cllr. G.A. Coetzee	3 272	11 255	14 527
Cllr. D.T. Mogale	14	26	40
Cllr. S.B. Kgodumo	-	-	-
Cllr. A. Lekgetho	1 659	6 728	8 387
Cllr. M.J. Nchochoba	1 196	35 052	36 248
Cllr. E.G. Ramorogadi	-	1	1
Cllr. E.P. Renoster	1 262	4 177	5 439
Cllr. N.R. Thekiso	-	-	-
	16 737	145 584	162 321

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

Non-compliance due to contravention of the Supply Chain Management Regulations stipulated in Chapter 11 of the MFMA has been disclosed in note 43.

47. Distribution losses

Electricity

Electricity Purchased (MWh)	75 270	91 951
Electricity Sold (MWh)	(81 237)	(84 310)
Total loss Incurred (MWh)	(5 966)	7 641
Average Cost per MWh (R)	1 000	834
Total Loss (R)	(5 966 346)	6 373 649

Water

Water Purchases and pumped (KL)	3 175 770	8 809 425
Water Purchased Loss (KL)	1 968 389	1 714 318
Water Purchased Loss (KL)	1 968 389	2 323 016
Total Loss Incurred (KL)	3 936 778	4 037 334
Average Cost per KL purchased (R)	3	3
Average Cost per KL pumped (R)	1	1
Total Loss (R)	7 934 847	8 135 879

48. Repairs and maintenance

Repairs and maintenance split

2017

	Land and Buildings	Infrastructure	Community	Other	Total
Repairs and Maintenance Expenses					
Repairs and maintenance - Statement of Financial Performance	34 101	1 391 163	138 596	946 541	2 510 401
Grand Total					2 510 401
Total segmental surplus/(deficit)					2 510 401

49. Budget differences

Material differences between budget and actual amounts

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

49. Budget differences (continued)

A) Mainly due to the delay in the smart meter project - revenue lower than anticipated. In addition the municipality are challenged by bulk water supply in certain areas in town, this results in a limit on the water charges billed to these consumers. The municipality is embarking on a project to replace water meters.

B) The initial budget was generated on prior experience. The municipality collected additional revenue for licenses and permits.

C) Mainly due to the Vaalharts sundry creditor balance written-off that was not anticipated in the prior year. In addition the poor economic climate also resulted in an increase in the impairment accounted.

D) Mainly resulting from Consumer Debtors not paying outstanding accounts when due. The consumer Debtors increase as a result of the poor economic climate.

E) This resulted from an additional increase in the rate levied to the state as well as the normal property rate increase adjustment.

F) Projects progress as well as the completion of projects resulted in conditions met for the spending of conditional grants and grant revenue that increased the actual revenue recorded.

G) Variation deemed to be in an acceptable range.

I) Rental of facilities and equipment. The initial budget was generated on prior experience. The municipality collected additional revenue for rental of facilities and equipment.

Other income. The increase resulted mainly from a reversal of legal provision made in the prior year that could not be anticipated when preparing the budget.

Bulk purchases. As a result of non payment of suppliers, bulk water supply as part of a function of the District Municipality was taken over by them. This was not anticipated when the budget was prepared.

Contracted services. There was an increase need for contractors to assist the municipality. This is mainly due to capacity issues and vacancies experienced within the municipality. This was not anticipated when the budget was prepared as the municipality planned to fill vacancies that did not materialise.

Repairs and Maintenance. The budget template do not cater for the expense line repairs and maintenance. This is budgeted for on the budget line other materials. Other material include materials procured to perform repairs and maintenance.

General expenditure. The increase in S&T expenses and membership was not anticipated when preparing the budget, This mainly resulted from a political change after the elections.

Other material. The budget template caters for this expense line. Other expenditure is actually recorded under the general expenditure line on the AFS. The under expenditure is mainly a result of financial constraints experienced by the municipality as well as the recording of the line item under the general expenditure classification.

Loss on the disposal of assets and liabilities, actuarial gains and losses, loss on biological assets and gain on the disposal of PPE. The mentioned line items was budgeted for under on the line item gain on the disposal of PPE and is based on prior year information available, the over and under on the individual lines can not be anticipated, as the actual movement is recorded based on valuations mostly done by third parties.